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COVID-19 Resources

# Main Spotlight: Understanding Philanthropic Resources in **Community Economic Development**

# Mark as Inappropriate February 2, 2021 | Main Spotlight: Understanding Philanthropic Resources in Community Economic Development | By: Dionne Baux, Director of

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Urban Programs, NMSC



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Neighborhood Stabilization Program make it even more difficult for locally-based organizations to heavily rely on government support. Data from the Community Development Block Grant Coalition lists several examples to demonstrate the incremental cuts since the program's inception. For example, the CDBG allocation in Miami-Dade County, Florida, in 2019 was only half of what it was in 1975, and Huntsville, Alabama's CDBG

The past two federal budget cycles for the Housing and Urban Development (HUD) Capacity Building for Community Development "Section 4" program has been up for deeply proposed cuts as well. Section 4 grants are awarded to intermediaries that re-grant to "Given that tax bases are also not community development corporations (CDCs) to use funds for specific investments, enough to support revitalization including affordable housing and economic development. efforts in most distressed urban or rural communities, community Given that tax bases are also not enough to support revitalization efforts in most distressed

urban or rural communities, community economic development leaders need to get creative with their fundraising plans, identifying and securing diverse funding sources from both inside and outside their community. These additional funding sources will be crucial to moving local economic development planning efforts forward, including small business technical assistance, recruitment, incentive programs, and staff support to lead on-theground efforts. While there is no one-size-fits-all fundraising approach that will work for every economic development group, one thing is for certain: Local groups that develop

This article provides an overview of foundations and philanthropy trends, offers insight into the programs and initiatives that foundations are launching to ensure that more people have access to grant funding, and explores the ways in which Main Street America (MSA) and UrbanMain (UM) are helping to connect communities and foundations to ensure more communities can benefit from this crucial funding source. Jump to: Types of Philanthropic Foundations | Philanthropy Giving Trends | Increasing Access to Foundation Funding | COVID-19 Giving | Bridging the Gap | Next Steps **Types of Philanthropic Foundations** The Council on Foundations defines a foundation as an entity that supports charitable activities by making grants to unrelated organizations, institutions, or to individuals for scientific, educational, cultural, religious or other charitable activities or programs.

• Contributions to 501(c)(3) organizations are generally tax deductible.

• Grants and activities may not assist election campaigns that support or oppose

Dionne Baux Director of Urban Programs

While there is no one-size-fits-all fundraising

Chet Jackson, Director of Multi Family/Commercial

Development, The Works, Inc. (Memphis, TN): "As organizations conceptualize plans/projects that

support holistic community development, an integral

part of the team is our philanthropic partners. Often

initial studies or projects can be funded through

approach that will work for every economic Traditionally most foundations are engaged in grantmaking activities, and in some cases, development group, one thing is for certain: Local groups that develop relationships with they may engage in their own direct charitable activities or programs. Organizations that local, state, and national foundations to support only operate charitable activities are classified under Section 501 (c) (3) of the Internal revitalization efforts on the ground are better Revenue Code and must adhere to the following legal characteristics: positioned for success.

# candidates for public office. • Grants, compensation, and other payments must be made within specific guidelines,

Following are some of the most common types of foundations: • Private Foundations are the primary source of philanthropic giving in both urban and rural communities. Private foundations generally provide grants to other nonprofit organizations or individuals. The philanthropic role of private foundations ranges greatly – some focus solely as donors or grant makers with minimal engagement with grantees while others provide extensive support, including technical assistance and capacity building. • Corporate Foundations are organizations that are created and financially supported

communities where the corporation operates, or where their employees reside. Some

corporations don't establish a separate foundation but make gifts and grants directly

to charitable organizations through a program within the company itself. These are

• Independent Foundations operate at the national, regional, and local levels, and are

corporate foundations, they are governed by the organization, family or corporation.

They are generally funded by endowments from a single source such as an individual

• International Foundations typically are foundations based outside the United States

that make grants in their own countries and overseas. The term "international

distinct from the other two previously mentioned foundations. Unlike family and

foundations" sometimes can refer to foundations in any country that primarily engage in cross-border giving. • Family Foundations are usually funded by an endowment from a family. With these types of foundations, the family members of the donor(s) have a substantial governance role. As the Council on Foundations notes, most of the terms listed above are not legal classifications but are descriptive terms used within the field of philanthropy to help grantees, partners, and others to understand how the foundation operates. A commonality

**Philanthropy Giving Trends** The National Center for Charitable Statistics is a data portal designed for nonprofit practitioners, researchers, and policy makers. Its 2019 Nonprofit Sector in Brief discusses trends in the finances of 501(c)(3) public charities and key data insights on important resources for the nonprofit sector, such as private charitable contributions and grantmaking by foundations.

According to the brief, The Foundation Center estimates there were more than 86,125 grantmaking foundations in the United States in 2017. Their grants totaled \$77.7 billion in 2017, up 10.4 percent from 2016 after adjusting for inflation. This amounts to approximately 18 percent of private charitable contributions that year. While foundation grants dipped slightly in 2018, they have been on an upward trajectory for years - the

philanthropy. Philanthropy provides the organization with funding in order to either activate potential projects or further study the feasibility of prospective projects. This funding is in the form of a grant, which lessens project related debt. Further, developing strategic relationships with foundations can provide organizations with an opportunity to discuss with program officers the projects that are contemplated. This is critical feedback for most as it helps to further define the scope and feasibility of a project." J'Tanya Adams, Program Director, Historic West End Partners (Charlotte, NC): "The Historic West End Partners' relationship with the Knight Foundation to foster community driven solutions has rapidly initiated the transformation of the W. Trade Street/Beatties Ford Road corridor. Knight's openminded leadership and generous investments underwrote the Historic West End stakeholders implementation of experience-based creative solutions, programs, and operations while ensuring that national knowledge, mentors, and partnerships remained readily available and open to collaborative processes. Some of the yields from our three-year relationship are the creation of a historical public space, a multi-tiered public space, inspiring and informative murals, Main Street education since 2015, a successful Main Street pilot, Savory Saturdays, Open Streets 704 West End events, the groundbreaking of three commercial properties, and the formation of the Greater West Collaborative." Caroline Connors, Executive Director, Morgan Park Beverly Hills Business Association (Chicago, IL): "The national foundations we work with have become valued partners assisting with special projects in a community with limited access to public grants, and also providing ongoing technical assistance and support to increase the capacity of the organization. The relationships formed with

> these partners have helped us connect with other foundations that we would not have otherwise

known about, and given us the credibility to pursue

opportunities that were previously out of our reach."

**Giving by Foundations** 

\$75.86B

**Giving by Corporations** 

\$20.05B

Giving by Individuals

\$292.09B

**Giving by Bequest** 

\$39.71B

\$19.49 billion.

• from 2017.

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### Giving by Use<sup>1</sup>: • Giving to religion declined 1.5 percent between 2017 and 2018, with an estimated \$124.52 billion in contributions. • Giving to education is estimated to have declined 1.3 percent between 2017 and 2018, to \$58.72 billion.

lack of capacity to fundraise, weak relationships, and sometimes simply being in a place Many communities are not at the table that is disconnected and lacks easy access to their location for national and local foundations. Several national foundations such at Kresge, Ford, and MacArthur Foundations have created national initiatives to expand their reach in more rural and urban

Many communities are not at the table with foundations for a variety of reasons including

communities that have lacked access to financial opportunity and have begun reaching out

income individuals focusing on expanding access to jobs, education, housing, human-

directly to intermediaries, communities, and city governments to develop funding

- relationships. access to their location for national and local foundations. Examples include: • Kresge Foundation, American Cities Initiative. This initiative is committed to assisting America's urban centers to become accelerators of opportunity for low Dionne Baux Director of Urban Programs
- **COVID-19 Giving** The onset of the novel Corona 19 virus has created a global health and economic crisis that has negatively impacted gains for community-based organizations leading economic development and their businesses. The need for economic development practitioners to foster relationships with foundations is ever-more pressing today amidst the pandemic. According to Candid's article, "Record-Breaking COVID-19 Philanthropy Topped Giving for Other Disasters but Overlooked Those Most Affected by the Pandemic," the data shows that foundations, public charities, corporations, and individual donors immediately responded to the needs and services arising from the pandemic; however, only 5 percent of

• Contribution to community-based emergency response funds and other efforts to

responses to provide their nonprofit partners with helpful information while not

Commitment to listening to their nonprofit partners and uplifting community voices

that generally are not heard to inform public discourse and foundations decision-

Supporting their grantee partners through advocating for important public policy

changes to fight the pandemic and deliver an equitable and just emergency

• Regular communication to partners about foundations decision-making and

making so they can act on their grantee partners' feedback.

asking more of their partners.

response for all.

**Bridging the Gap** 

district revitalization work.

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address the health and economic impact on those most affected by this pandemic.

\$11.9 billion in total funding was explicitly directed to communities and persons of color, which have been hardest hit by COVID-19.2 THE PLEDGE. COVID-19's impacts are reaching every corner of the world. As leaders of major philanthropic organizations, we recognize the critical

need to act with fierce urgency to support our nonprofit partners as well

as the people and communities hit hardest by the impacts of COVID-19.

**COF.ORG/PLEDGE** 

We urge you to take The Philanthropy Pledge.

with foundations for a variety of

reasons including lack of capacity to

fundraise, weak relationships, and

sometimes simply being in a place that

is disconnected and lacks easy

The Knight Foundation's support enabled communities to deepen its engagement with their local resident and business community in every step of the process. MSA and its partners used market information including demographic data, trends, sales leakage and surplus, business investors

and cluster analysis as one tool to help illuminate the best revitalization path

forward. We also distributed a public and leadership survey in each city to

identify challenges, opportunities, attitudes and impressions of the

Funding for local organization support and capacity;

• Trainings for entrepreneurs lead by Co.Starters; and

The program components include:

support interventions.

commercial district – what MSA refers to as a Transformation Strategy.

development, proforma development, and real estate finance;

For example, a few years ago we developed a relationship with the James L.

Knight Foundation, a national funder dedicated to fostering "informed and

engaged communities" with a special focus in 26 communities. With their

Finally, local foundations generally serve as a good starting place for local community economic development entities. In Chicago, Main Street America engaged with the Richard H. Driehaus Foundation to support local revitalization work. The foundation focuses on four program areas: built environment, arts and culture, investigative journalism for government accountability, and economic opportunity for the working poor. Driehaus' support enabled UrbanMain to work with two Chicago neighborhood commercial corridors groups and explore implementing Main Street's signature economic development approach to corridor revitalization.

foundation priorities and how their priorities may align with the work your organization is leading. 2. Respect the program officer's time and don't take too much of their time. These folks are receiving constant requests from many organizations like yours, so be respectful. 3. Never make an ask in the first meeting. You are getting to know each other by building a working relationship. 4. Research, research, research. Learn more about the foundation you are approaching before you sit down with them. Do your homework! 5. See and be seen. Go to the networking events that your local foundations are hosting and participate in requests for proposal sessions. Let them know you are there and interested in getting to know them. 6. Invite the program officer or local foundation to your community to visit your corridor, meet with your board, and ask local constituents to share the great work you've completed to date.

**Meet the Author** Dionne Baux, Director of Urban Programs: As Director of Urban Programs, Dionne leads the initiative to broaden

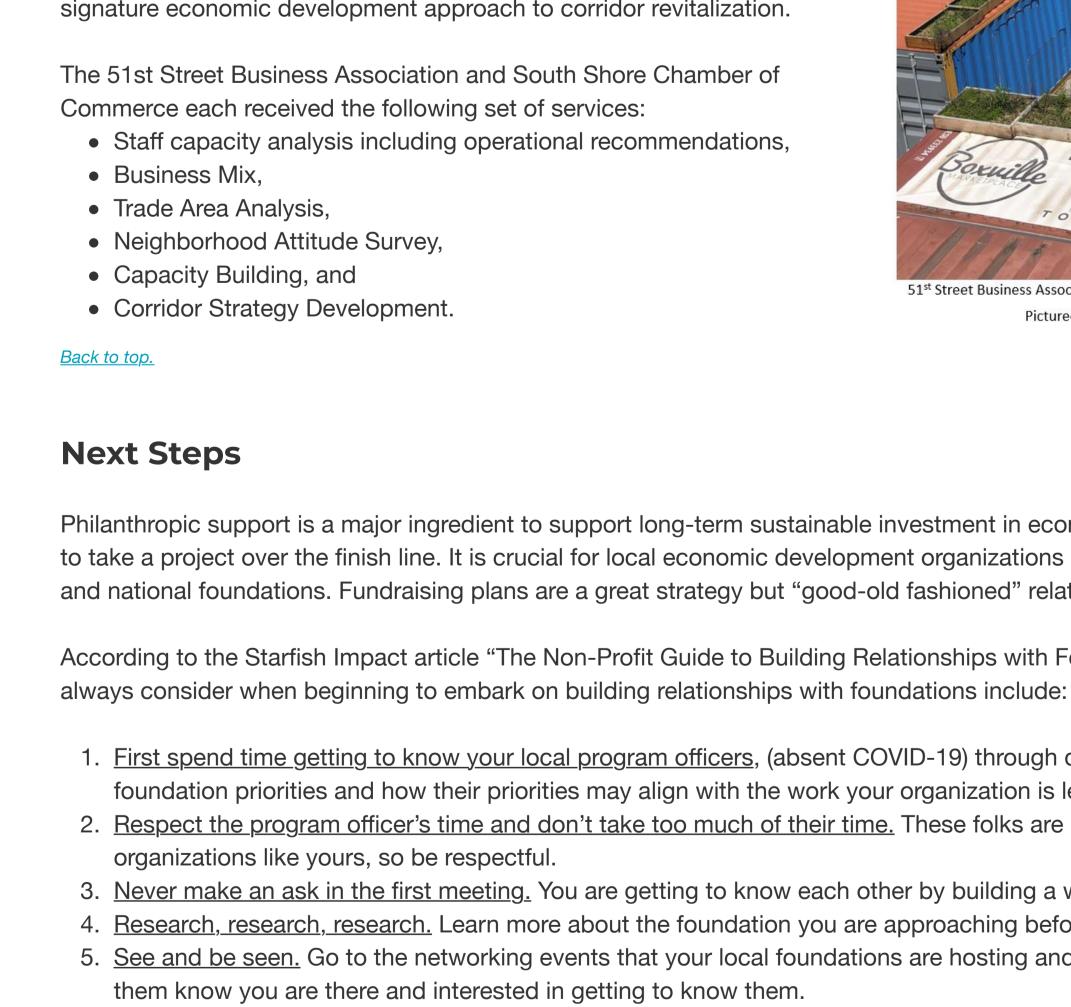
capacity building opportunities.

Read Dionne's full bio.

According to the Starfish Impact article "The Non-Profit Guide to Building Relationships with Foundations," key steps that a local group should 1. First spend time getting to know your local program officers, (absent COVID-19) through quick 1:1 conversations to learn more about the 7. Be proactive. Initiate your local foundation in a dialogue; don't be a passive responder to a request. Share your good news and the work you 8. Do not add your foundation partners to your general newsletter lists; communicate with them individually and be intentional about your outreach. Remember your local foundations are being inundated with requests and communication.

#Blogs

The National Main Street Center, Inc. 53 West Jackson Blvd., Suite 350 Chicago, IL 60604



have accomplished.

foundation partners on your progression. Sources <sup>1.</sup> https://givingusa.org/giving-usa-2019-americans-gave-427-71-billion-to-charity-in-2018-amidcomplex-year-for-charitable-giving/ <sup>2.</sup> https://candid.org/about/press-room/releases/%20record-breaking-covid-19-philanthropy-topped-givingfor-other-disasters-but-overlookedthose-most-affectedby-pandemic <sup>3.</sup> https://www.cof.org/news/call-action-philanthropys-commitment-during-covid-19

9. Finally, once you've applied to the grant application and are approved, make sure to provide timely grant reports and updates to your

the Center's offerings and engagement in urban neighborhood commercial districts. Dionne has over a decade of

experience in project coordination in the fields of urban economic development and commercial district revitalization.

She has extensive expertise engaging community stakeholders, identifying and implementing projects in conjunction

with community based organizations, government institutions, and real estate development, as well as supporting

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development. Main Street America is a program of the nonprofit National Main

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COVID-19

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# Local community economic development organizations rely on both public and private sources of funding to support their work. Yet, it has been increasingly difficult to secure the amount needed from public sources. Reductions in grant funding at the federal, state, and local levels of government, including programs like the Community Development Block Grant (CDBG), the Home Investment Partnerships Program, and the allocation dropped nearly 75 percent from 1975 to 2019, from \$4 million to \$1.3 million. economic development leaders need to get creative with their fundraising plans, identifying and securing diverse funding sources from both inside and outside their community." relationships with local, state, and national foundations to support revitalization efforts on the ground are better positioned for success.

### and for a charitable purpose, not for personal or private benefit. The Council provides a thorough overview on foundation basics and shares the different types of charitable organizations that help form and strengthen communities.

typically called corporate giving programs.

or group of individuals.

by a corporation. The foundation is created as a separate legal entity from the corporation but closely aligned to the corporation. Companies establish corporate foundations and giving programs to have a positive impact on society. Corporate foundations tend to make grants in fields related to their corporate activities or in

- of each of these foundations is that they were established to assist community and economic development, educational, religious, or other charitable needs. Most foundations have a governance structure including a board of directors that makes discretionary giving decisions, often within the foundation's priority areas or field of interest and/or geographic area.
- development practitioners to understand the trends of foundation giving and the types of projects being supported. Giving by Source<sup>1</sup>: • Giving by individuals totaled an estimated \$292.09 billion, falling 1.1 percent in 2018 (a decline of 3.4 percent, adjusted for inflation). • Giving by foundations increased 7.3 percent, to an estimated \$75.86 billion in 2018 (an increase of 4.7 percent, adjusted for inflation).

• Giving by bequest totaled an estimated \$39.71 billion in 2018, staying flat compared to

• Giving by corporations is estimated to have increased by 5.4 percent in 2018, totaling

includes cash and in-kind contributions made through corporate giving programs, as

• Giving to human services declined by an estimated 0.3 percent in 2018, totaling \$51.54 billion.

• Giving to international affairs is estimated to be \$22.88 billion in 2018, an increase of 9.6 percent

• Giving to foundations is estimated to have declined by 6.9 percent in 2018, to \$50.29 billion.

\$20.0 billion (an increase of 2.9 percent, adjusted for inflation). Corporate giving

2017 with a 0.0 percent increase from 2017.

well as grants and gifts made by corporate foundations.

**Increasing Access to Foundation Funding** 

serving systems, city services, and quality public spaces.

amount of grants distributed grew 70 percent from 2005 to 2017 after adjusting for inflation.

The following shows how foundation giving compares to other types of giving as well as where funds are going. It is important for economic

• Giving to environmental and animal organizations is estimated to have increased 3.6 percent between 2017 and 2018, to \$12.70 billion. • Giving to individuals is estimated to have declined 2.6 percent (4.9 percent in inflation-adjusted dollars) between 2017 and 2018, to \$9.06 billion. Back to top.

• Giving to health is estimated to have had flat growth of 0.1 percent between 2017 and 2018 to \$40.78 billion.

• Giving to public society benefit organizations decreased an estimated 3.7 percent between 2017 and 2018, to \$31.21 billion.

• Giving to arts, culture, and humanities is estimated to have stayed relatively flat, with growth of 0.3 percent between 2017 and 2018, to

Expression, Future of Work(ers), Gender, Racial and Ethnic Justice, and Natural Resources and Climate Change and Technology and Society, which are intertwined together. The program areas serve as entry points to Ford's eleven field offices. • MacArthur Foundation, Safety and Justice Challenge. This program invests in local reform, research, experimentation, and communications to create national demand for local justice reforms that will safely reduce jail populations and address racial and ethnic disparities.

By no means is this an exhaustive list of national funders and initiatives. Foundations such as the Bill and Melinda Gates Foundation, Rockefeller

Foundation, and a host of others each offer national and international initiatives to aid and uplift those that have been left behind.

• Ford Foundation, Challenge Inequality. This initiative looks at the underlying drivers of inequality – common factors that contribute to

worldwide inequalities. There are seven program areas: Cities and States, Civic Engagement and Government, Creativity and Free

The Council on Foundations in response to the havoc COVID-19 is creating for their nonprofit partners has invited their funders and other leaders in the philanthropic sector to join a call for action by signing a pledge of action (pictured right) to the following<sup>3</sup>: Loosen or eliminate the restrictions on current grants. • Make new grants as unrestricted as possible, so their nonprofit partners have maximum flexibility to respond to the crisis. • Reduce the requests of their nonprofit partners, postponing reporting requirements, site visits, and other demands on their time.

While foundations are doing great work at extending their reach, there is still work to be done to connect communities with foundation resources

to support economic development. Recognizing the need to help bridge the gap, Main Street America has been working to develop relationships

with both national and local foundations that have supported community economic development over the past several years. With their help, we

then connect and partner with community groups to provide capacity building and technical support required to effectively lead commercial

commercial district. Along with tours and interviews, this process was integral to developing a focused, deliberate path to revitalizing the

MSA has also partnered with foundations to garner local support for community groups through state and regional collaborations. In 2019, Main

support, we conducted a multi-city approach to refine, test, and introduce seven new communities to Main Street America's signature economic development framework. The seven pilot sites included: Detroit, Michigan; Biloxi, Mississippi; Gary, Indiana; Lexington, Kentucky; Miami, Florida; Milledgeville, Georgia; and Philadelphia, Pennsylvania.

Street America partnered with PNC Foundation, Marion Ewing Kauffman Foundation, and The Anne T. and Robert M. Bass Center for Transformative Placemaking to develop and sustain new entrepreneurial growth in three Appalachian Ohio communities. • Targeted technical assistance focused on cultivating place-based entrepreneurial culture and building entrepreneurial support networks; • Cohort trainings led by experts in topics specific to building the local support network including but not limited to training such incremental • Research exploring economic, physical, social, and civic conditions over time and determining how these are affected by entrepreneurial

New overhead crosswalk being built on Beach Boulevard in Biloxi, MS. Photo credit: Terry Kelly

51st Street Business Association in Bronzeville, Ill., was a recipient of UrbanMain's work funded by Driehaus. Pictured above: Boxville, a pop-up store initiative, in the neighborhood Philanthropic support is a major ingredient to support long-term sustainable investment in economic development and is often the dollars needed to take a project over the finish line. It is crucial for local economic development organizations and staff to broaden relationships with local, state, and national foundations. Fundraising plans are a great strategy but "good-old fashioned" relationship building is at the crux of this work.

#MainSpotlight

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#UrbanMain

**About Us Contact Us** P 312.610.5613 Main Street America has been helping revitalize older and historic commercial F 202.588.6050 districts for 40 years. Today it is a network of more than 1,600 neighborhoods mainstreet@savingplaces.org and communities, rural and urban, who share both a commitment to place and to building stronger communities through preservation-based economic

https://www.mainstreet.org/blogs/national-main-street-center/2021/02/01/main-spotlight-understanding-philanthropic-resource

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